DAVID Y. IGE
GOVERNOR

WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN COMMENTS
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 721

February 3, 2017
9:30 a.m.
Room 211

SB 721 -- RELATING TO DEPARTMENTAL ADMINISTRATIVE EXPENSES

Senate Bill No. 721 proposes to repeal section 36-30, Hawaii Revised Statutes (HRS), which imposes a central services assessment on special funds, except for those exempt from this section. This assessment is intended to cover administrative expenses such as salaries, building maintenance, utilities, and general office expenses. The director of finance is authorized to determine the amount of the assessment for transfer to the general fund.

The Department of Budget and Finance appreciates the intent of this measure and offers the following comments.

Since the adoption of this section in 1955, many special funds have been created using dedicated revenues for specific program support. Proper fiscal management requires oversight from state government agencies to assure sufficient funds are available to manage program operations and funds are being used for the purposes originally intended. A related section 36-27, HRS, allows the director of finance to assess five percent of all special fund receipts for central services, except for those specifically exempt from this section. This section similarly intends these assessments to defray the central services expenses related to proper fiscal management of these funds.

Both of these sections require annual reports to the legislature on the amounts of the assessments and transfers to the general fund. These reports are posted at the following link: http://budget.hawaii.gov/budget/reports-to-the-legislature/1983-2/ The Department of Budget and Finance combines these reports pursuant to section 93-12, HRS, because of the similar purpose for reporting in each section.

If the legislature is questioning the need for section 36-30, HRS, we would encourage a broader review of the solvency of all special funds, including those that are exempt from the assessments in both sections 36-27 and 36-30, HRS, to determine a more rational pro rata distribution of administrative costs across all special funds.

Thank you for your consideration of our testimony.

DAVID Y. IGE
GOVERNOR

MARI McCAIG
Chair

MARTHA ROSS
Commissioner

ABELINA M. SHAW
Commissioner

PAMELA FERGUSON-BREY
Executive Director

STATE OF HAWAI`I
CRIME VICTIM COMPENSATION COMMISSION
1136 Union Mall, Suite 600
Honolulu, Hawai`i 96813
Telephone: 808 587-1143
FAX 808 587-1146

TESTIMONY ON SB 721
RELATING TO DEPARTMENTAL ADMINISTRATIVE EXPENSES
by
Pamela Ferguson-Brey, Executive Director
Crime Victim Compensation Commission

Senate Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

Friday, February 3, 2017; 9:30 AM
State Capitol, Conference Room 229

Good afternoon Chair Tokuda, Vice Chair Dela Cruz, and members of Senate Committee on Ways and Means. Thank you for providing the Crime Victim Compensation Commission (the "Commission") with the opportunity to testify in strong support of Senate Bill 721 relating to Departmental Administrative Expenses. This bill repeals section 36-30 of the Hawai`i Revised Statutes thereby eliminating the requirement that special funds must pay a pro rata share of administrative costs. The repeal of section 36-30 would increase the amount of special funds available to provide compensation to victims of violent crimes.

The Commission was established in 1967 to mitigate the suffering and financial impact experienced by victims of violent crime by providing compensation to pay un-reimbursed crime-related expenses. Many victims of violent crime could not afford to pay their medical bills, receive needed mental health or rehabilitative services, or bury a loved one if compensation were not available from the Commission. No State general funds have been appropriated for victim compensation since FY 2003, and the Commission's compensation program is now funded solely from non-tax revenue and matching federal funds.

The Commission paid $90,594.00 in FY 2015 for the annual 5% central service expense fee to the Department of Budget & Finance and the Commission's pro-rata share of administrative expenses incurred by the Department of Public Safety (PSD) based on all non-tax revenue collected on, or on behalf of, the Commission. These assessments are paid on all income sources except for the money received from the Federal VOCA funds. These assessments are even imposed on money collected to reimburse the Commission. When the Commission compensates a crime victim, the Commission can seek reimbursement from the defendant who committed the crime via court ordered restitution. However, when the Commission is paid the restitution, the Commission must pay the two assessments again. Thus, the Commission receives less than what it paid the crime victim even when the restitution is paid in full.

The payment of a pro rata share of administrative costs limits the Commission's ability to maintain fiscal self-sufficiency. Lack of uniform guidelines for the calculation of the pro rata share have resulted in the law being unevenly applied resulting in some agencies bearing a disproportionate share of the burden. The payment of a pro rata share of administrative cost diverts funds to the general fund that the Commission could use to compensate victims of violent crimes.

Thank you for providing the Commission with the opportunity to testify in strong support of Senate Bill 721.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

PRESENTATION OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

TO THE SENATE COMMITTEE ON WAYS AND MEANS

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

FRIDAY, FEBRUARY 3, 2017
9:30 a.m.

TESTIMONY ON SENATE BILL NO. 721, RELATING TO DEPARTMENTAL ADMINISTRATIVE EXPENSES

TO THE HONORABLE JILL N. TOKUDA, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Catherine Awakuni Colón, Director of the Department of Commerce and Consumer Affairs (“DCCA” or “Department”). DCCA appreciates the opportunity to offer comments with concerns on S.B. No. 721, Relating to Departmental Administrative Expenses.

S.B. No. 721 would repeal the existing provision on special fund assessments for departmental administrative expenses laid out in Section 36-30, Hawaii Revised Statutes (”HRS”), in its entirety effective July 1, 2017. This measure would also delete references to HRS § 36-30 in various sections of current law in conformance with this measure.

As indicated in this measure’s purpose section (Section 1), the Department recognizes the Legislature’s expressed desire to ensure that a consistent and equitable approach to assessing administrative service expenses is taken by all administering departments in the State. The Department supports that desire to achieve consistency, equity, and the potential efficiencies that such an approach may create for the State's fiscal administration. The Department does have strong concerns with the approach proposed in this measure, however, because it is not clear at this time whether a wholesale repeal of HRS § 36-30 is the best approach to addressing the concerns raised in this bill, and the full scope of the impacts of such a repeal may not yet be known.

The Department defers to the Department of Budget and Finance ("DBF") and that agency's expertise on statewide fiscal administration to determine which best practices or other processes should be put in place to remedy the issues the Legislature has identified with regard to special fund administrative expense assessments across the State. Should the Legislature agree that taking such an approach is prudent, DCCA would ask that it be closely involved in such a DBF review process to ensure that any changes to the State's overall assessment processes take into account DCCA's structure as an almost entirely specially funded agency (i.e., no general funds typically received).

Thank you for this opportunity to provide comments on S.B. No 721. I am available to answer any questions that the Committee may have.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Friday, February 3, 2017
Time: 9:30 A.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 721, Relating to Departmental Administrative Expenses

The Department of Taxation (Department) supports S.B. 721 and provides the following comments for your consideration.

S.B. 721 repeals section 36-30, Hawaii Revised Statutes (HRS), which authorizes the assessment of a special fund by the Department of Budget and Finance for departmental administrative expenses. The measure is effective July 1, 2017.

The Department has the tax administration special fund under section 235-20.5, HRS. Currently, all revenues collected by the Special Enforcement Section (SES) are deposited into the tax administration special fund. In fiscal year 2016, the SES generated $3.5 million in revenues. Of the $3.5 million revenues collected, SES is authorized to expend up to $700,000 for its operations pursuant to section 235-20.5(b)(3), HRS; the remainder or $2.8 million is deposited into the general fund. Repeal of section 36-30, HRS, would allow SES to retain and expend the entire $700,000 allocation on the enforcement and collection of taxes.

Thank you for the opportunity to provide comments.